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10
11 UNITED STATES DISTRICT COURT
12 NORTHERN DISTRICT OF CALIFORNIA
13 SAN JOSE DIVISION

14 ANGEL FRALEY; PAUL WANG; SUSAN
15 MAINZER; JAMES H. DUVAL, a minor, by
and through JAMES DUVAL, as Guardian ad
Litem; and W.T., a minor, by and through
16 RUSSELL TAIT, as guardian ad Litem;
individually and on behalf of all others
similarly situated,

17 Plaintiffs,
18 v.
19 FACEBOOK, INC, a corporation; and DOES
20 1-100,
21 Defendants.

22 Case No. 11-CV-01726 LHK (PSG)

23 DECLARATION OF JOHN HEGEMAN IN
24 SUPPORT OF DEFENDANT FACEBOOK,
25 INC.'S OPPOSITION TO PLAINTIFFS'
26 MOTION FOR CLASS CERTIFICATION

27 Date: May 24, 2012
Time: 1:30 p.m.
Courtroom: 4
Judge: Hon. Lucy H. Koh
Trial date: December 3, 2012

28 [PUBLIC REDACTED
VERSION]

I, John Hegeman, hereby declare as follows:

1. I am an Engineering Manager at Facebook, Inc. ("Facebook"). I have personal knowledge of the facts set forth herein, and, if called as a witness, I could and would competently testify thereto.

2. I received a Bachelor of Science in Mathematics and a Bachelor of Arts in Economics from Stanford University in 2006. I also received a Masters of Arts in Economics from Stanford in 2008. I have been employed by Facebook since 2007. In my current role, I manage the team responsible for Facebook's online auction system— [REDACTED]

[REDACTED] Based on my overall experience working for Facebook, I also have general knowledge of the functioning and layout of the website, as well as Facebook's marketing products, including Sponsored Stories.

Ads and Sponsored Stories

3. Facebook currently offers two types of marketing products: Facebook Ads (which may be paired with “social context” and Sponsored Stories. Sponsored Stories and Facebook Ads are generally displayed on the right-hand side of pages on Facebook,¹ with Sponsored Stories typically appearing above—meaning higher up on the page than—Ads.

4. Until approximately November 2011, Facebook typically displayed between one and four units of Ads and Sponsored Stories on the right-hand side of the page. Since December 2011, between zero and seven units may be displayed, with the number being determined in real time for each page load based on a variety of factors.

5. Because individuals, businesses, and organizations may purchase Ads or Sponsored Stories on Facebook for a number of different reasons, including to advertise products or to achieve a variety of marketing objectives, I will refer to the people or entities that purchase Ads or Sponsored Stories on Facebook as marketers.

¹ In January 2012, Facebook began to display Sponsored Stories in the “News Feed” in the center column on the Facebook website.

1 6. Marketers purchase “Premium” Ads or Sponsored Stories through a direct sales
 2 representative. A Premium unit is one that appears on the Facebook Home Page, which is
 3 generally the first page Facebook users (“Users”) see when they log in to Facebook to access their
 4 News Feeds. If a Premium unit is displayed, it will be the only sponsored unit displayed on the
 5 Home Page. Premium units are priced according to fixed rates, though [REDACTED]

6 [REDACTED] To the best of my knowledge, the pricing for all Premium units is
 7 not affected by whether the units are Ads or Sponsored Stories.

8 7. All other Ad and Sponsored Story units are called “Marketplace” units.
 9 Marketplace units may be displayed on the Home Page, as well as any other pages on Facebook.
 10 They may be purchased via a self-service channel on the Facebook website
 11 (www.facebook.com/ads/create) or through a direct sales representative.

12 8. When a marketer purchases units through the self-service channel, the marketer
 13 must work through a series of pages (referred to as a “flow”) to specify (among other things)
 14 (1) the maximum price that it is willing to pay, either on a “cost-per-click” (“CPC”) basis or a
 15 “cost-per-thousand-impressions” (“CPM”) basis,² (2) its daily or lifetime budget for a particular
 16 campaign, and (3) the types or categories of Users it wants to target. The *actual* price that is
 17 charged to a marketer that uses the self-service channel is determined by a complex auction that I
 18 describe below.

19 9. Marketers may also purchase Marketplace units through a Facebook sales
 20 representative and specify their bid and budget just like marketers using the self-service channel.

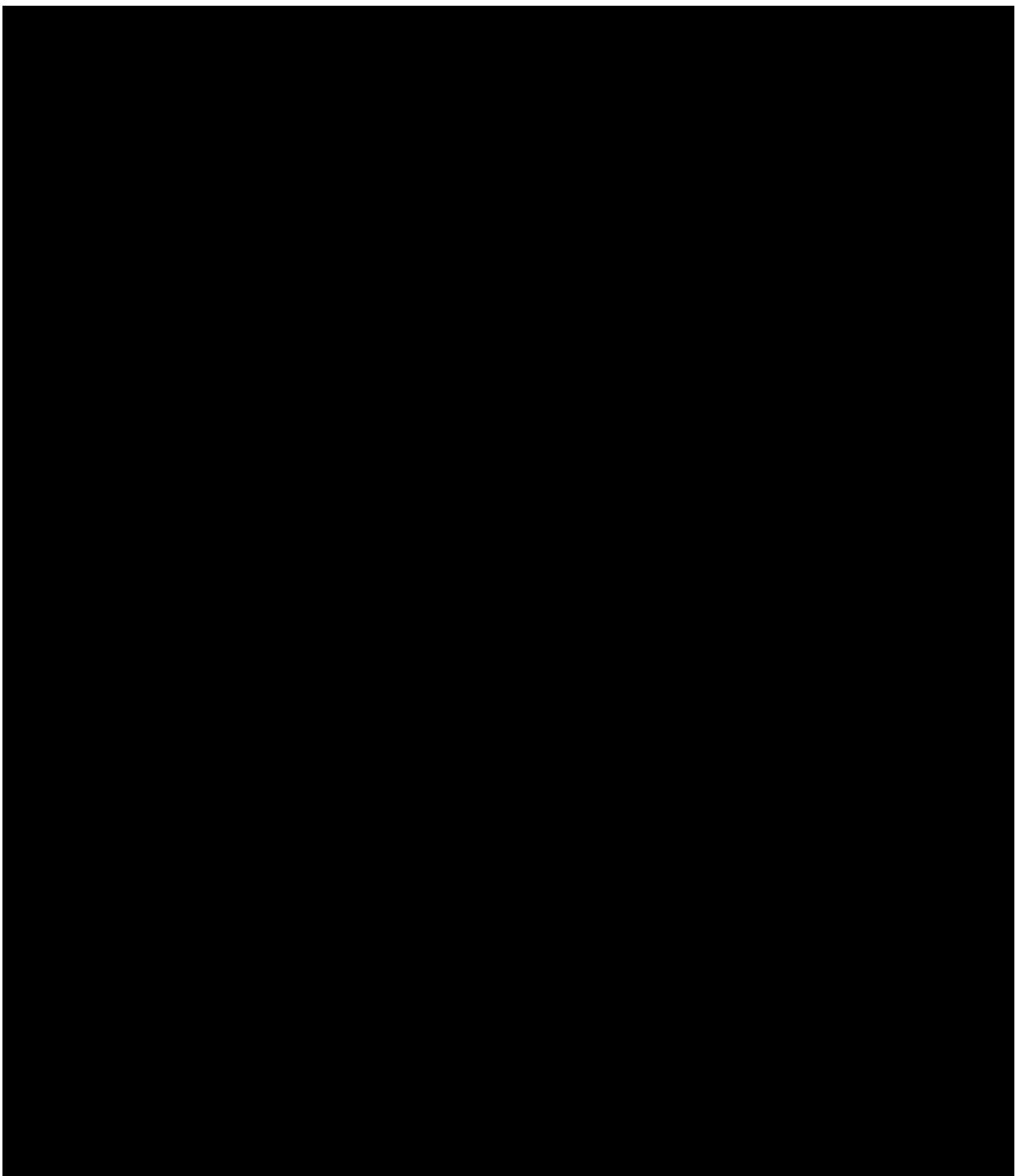
21 10. Marketers may also purchase Marketplace Ads or Sponsored Stories through a
 22 Facebook sales representative on a “fixed” cost-per-thousand-impression (CPM) basis. This
 23 means that Facebook charges the marketer a fixed price to display an agreed-upon number of
 24 impressions. CPM Ads and Sponsored Stories are priced in units of 1,000 impressions.

28 2 An impression is a unique display of an Ad or Sponsored Story on Facebook.

1 **The Online Auction**
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5 12. [REDACTED]
6 [REDACTED] [REDACTED]
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13 [REDACTED]
14 13. [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 14. [REDACTED] [REDACTED]
19 [REDACTED]
20 [REDACTED] Below are some examples showing the different ways in which Ads and
21 Sponsored Stories may be displayed on the right-hand side.
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Examples of Ads and Sponsored Stories as Displayed on Right-Hand Side of Pages



15. [REDACTED]

[REDACTED] [REDACTED] [REDACTED]
[REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 16. [REDACTED]
10 [REDACTED]
11 17. [REDACTED]
12 [REDACTED]
13 [REDACTED] This is consistent with Facebook's overall
14 goal of showing Users the most relevant and interesting content (sponsored or otherwise) on the
15 site.
16
17 I declare under penalty of perjury that the foregoing is true and correct.
18 Executed on April 19, 2012 at Menlo Park, California.
19
20 _____
21 /s/ John Hegeman
John Hegeman
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GENERAL ORDER 45 ATTESTATION

In accordance with General Order 45, concurrence in the filing of this document has been obtained from the signatory and I shall maintain records to support this concurrence for subsequent production for the Court if so ordered or for inspection upon request by a party.

Dated: April 19, 2012

COOLEY LLP

/s/ Michael G. Rhodes

Michael G. Rhodes
Attorneys for Plaintiff

1265871/SF